

## CHAPTER 3 MULTIFAMILY HOUSING

### DIVISION I MULTIFAMILY PRESERVATION LOAN PROGRAM

**265—3.1(16) Purpose.** Through its multifamily preservation loan program (program), the authority seeks to preserve the existing supply of affordable rental units at risk of being lost, either from physical deterioration, from current financial structure or from current owners opting out of affordable housing, for which reasonable financing through traditional lenders or other government financing is not readily available.

**265—3.2(16) Available funds.** The authority anticipates that it will, from time to time, publicize the approximate amount of funds available under this program on the authority's Web site at [www.ifahome.com](http://www.ifahome.com).

**265—3.3(16) Intent of the authority.** It is the authority's intent to allow maximum discretion and flexibility to be used by those applying for assistance under this program, and to allow discretion and flexibility to be used by the authority in its analysis and awarding of loans and grants under this program. It is the position of the authority that such discretion and flexibility are essential to structuring transactions that will work to preserve affordable housing in the state in a manner that best serves the citizens of the state.

**265—3.4(16) Application procedure.** Applications for assistance under this program must be made on forms and in the manner provided by the authority. Inquiries with respect to this program should be made to those persons identified on the authority's Web site as contacts for this program. Once contacted with an inquiry, the authority will send an application package to the potential applicant. The authority will take such applications from time to time and will analyze and award loans to applicants on an ongoing basis. It is the position of the authority that such flexibility in taking and reviewing applications and making awards will best serve to preserve affordable housing in the state.

**265—3.5(16) Program guidelines.** For-profit and nonprofit sponsors are eligible to apply for assistance under this program based on the following program guidelines:

**3.5(1)** Projects eligible for assistance must meet the following criteria:

*a.* Projects must have originally been developed using at least one of the following: low-income housing tax credits (LIHTC); state or local HOME funding; tax-exempt bonds; a HUD program or a USDA Rural Development program; authority HAF funds; funds of the former Iowa Housing Corporation; or similar funding as determined by the authority.

*b.* Units must at a minimum be affordable to tenants with incomes at or below 80 percent of area median income (AMI), and in most cases must be affordable to tenants with incomes at or below 50 percent AMI. Mixed income projects will be considered for assistance.

*c.* A demonstrated market need for the units must exist and the project must be in a good location, both as determined by the authority in its sole discretion.

*d.* Projects must have at least five units.

*e.* Assistance provided under this program must enable the project to maintain financial feasibility and affordability for at least the term of the assistance.

*f.* Maintenance and debt service reserve funds must be adequately funded, as determined by the authority in its sole discretion.

**3.5(2)** The following types of activities, among others not listed herein, are eligible for assistance:

- a. Acquisition and rehabilitation.
- b. Loan restructuring for projects enrolled in the HUD Mark-to-Market program.
- c. Restructuring of LIHTC, former Iowa Housing Corporation or authority loan (HAF or otherwise) projects.
- d. Restructuring of HUD or USDA projects that are either “troubled” or “held” under such programs.
- e. Rehabilitation necessary to eliminate a health or safety threat, for nonprofit owners only.
- f. Such other similar activities as may be determined by the authority from time to time to fall within the guidelines and purposes established for this program.

**3.5(3)** Assistance will be provided upon the following terms and conditions:

- a. Generally, the minimum loan amount is \$100,000, and the maximum loan amount is \$2,000,000. The maximum loan term is 30 years.
- b. Debt service ratio must be at least 1.20:1, and will generally be required to be at least 1.25:1, as calculated by the authority. In addition, the loan-to-value ratio of the project, as calculated by the authority, will be considered. Notwithstanding the above, the authority may, in its sole discretion, accept a lower debt service ratio based on the final underwriting of the project.
- c. Interest rates will be set by the authority, in its sole discretion, as close to market as the financial capacity of the project will allow.
- d. Loans will be secured by a first mortgage provided, however, that in limited cases the authority may consider a subordinate mortgage when the first mortgage is held by another entity. Construction financing may be awarded to projects in need of substantial rehabilitation.
- e. FHA-insured loans may be available through the Multifamily Accelerated Processing (MAP) of HUD, if the authority is an approved MAP lender. The authority may require or suggest such a MAP loan for any and all projects applying for assistance. A minimum loan amount of \$500,000 is required for all FHA-insured loans. In addition, the authority may participate in the HUD Risk-Sharing Program, and may suggest or require such a loan for any and all projects applying for assistance.
- f. Recipients of assistance must agree to observe several covenants and restrictions, including but not limited to recorded affordability and transfer restrictions, all in accordance with such loan and mortgage documents as may be required by the authority from time to time under this program.
- g. A Title Guaranty Certificate protecting the authority’s interest is required on all loans, unless specifically waived by the authority, in its sole discretion.
- h. Each project receiving assistance must demonstrate a local contributing effort, as such term is used in Iowa Code section 16.4.
- i. The authority may require a change in ownership, management, general partner or similar change prior to awarding assistance under this program. Also, the authority may refer applicants to other sources of funding when deemed appropriate by the authority.
- j. Grant funds may be available, in the sole discretion of the authority, if the authority determines such funds are necessary for the continued financial viability of the project.
- k. Recipients must execute such documents and instruments, and must provide such information, certificates and other items, as determined necessary by the authority, in its sole discretion, in connection with any assistance.

**3.5(4)** Loan fees are as follows:

- a. Commitment fee (construction period) - 1.0 percent of total development costs.
- b. Commitment fee (permanent loan) - 2.0 percent of loan amount.
- c. Inspection fee - 0.5 percent of loan amount.
- d. Application fee - 0.3 percent of proposed loan amount.
- e. The authority may, in limited cases, reduce such fees if necessary in connection with assistance provided under this program. Such decision will be made in the sole discretion of the authority.

**265—3.6(16) Authority analysis of applications.** Authority staff will analyze and underwrite each potential project, and will make recommendations for funding assistance to the board of the authority. Authority staff will use such procedures and processes in its underwriting and analysis as it deems necessary and appropriate in connection with furthering the purposes of this program. In addition, the authority anticipates that because of the complex nature of each transaction, and the particular sets of circumstances attributable to each particular application/transaction, that the terms and conditions of loans will vary from project to project. The authority will make available its general operating procedures and guidelines for this program, as such may be revised from time to time.

**265—3.7(16) Discretion of authority board.** The authority board of directors has the sole and final discretion to award or not award assistance and to approve final loan terms.

**265—3.8(16) Closing/advance of funds.** If all requirements of the authority are not met in accordance with any time frames set by the authority and to the complete satisfaction of the authority, all in the sole discretion of the authority, the authority may determine to cease work on an approved project and to, accordingly, not advance any funds for such project.

**265—3.9 to 3.19** Reserved.

DIVISION II  
PREDEVELOPMENT LOAN FUND

**265—3.20(16) Purpose.** Through its predevelopment loan fund (fund), the authority seeks to expand the ability of nonprofit organizations to utilize the authority's multifamily preservation loan program (program) by offering low-cost predevelopment loans for which reasonable financing through traditional lenders or other government financing is not readily available.

**265—3.21(16) Available funds.** The authority anticipates that it will, from time to time, publicize on the authority's Web site at [www.ifahome.com](http://www.ifahome.com) the approximate amount of funds available for predevelopment loans.

**265—3.22(16) Intent of the authority.** It is the authority's intent to allow maximum discretion and flexibility to be used by those applying for assistance under this fund, and to allow discretion and flexibility to be used by the authority in its analysis and awarding of loans under this fund.

**265—3.23(16) Application procedure.** Applications for assistance under this fund must be made on forms and in the manner provided by the authority. Inquiries with respect to this fund should be made to those persons identified on the authority's Web site as contacts for the program and the fund. Once contacted with an inquiry, the authority will send an application package to the potential applicant. The authority will take such applications from time to time and will analyze and award loans to applicants on an ongoing basis. It is the position of the authority that such flexibility in taking and reviewing applications and making awards will best serve to preserve affordable housing in the state.

**265—3.24(16) Fund guidelines.** A nonprofit sponsor is eligible to apply for assistance from the fund relating to a specific project provided that the nonprofit sponsor intends to apply for a multifamily preservation loan under the program for the same project.

**3.24(1)** Loans may be made to nonprofit sponsors only with respect to projects that meet the criteria detailed in subrule 3.5(1).

**3.24(2)** The following types of activities and costs, to the extent approved by the authority, are eligible for assistance: architect services, engineering services, attorney's fees, accounting fees, environmental consultants and reports, finance and development consultants, tax credit consultants, market studies, survey fees, appraisal costs, and such other similar activities as may be determined by the authority from time to time to fall within the guidelines and purposes established for loans under the fund.

**3.24(3)** Assistance will be provided upon the following terms and conditions:

- a. Generally, the minimum loan amount is \$2,500, and the maximum loan amount is \$25,000.
- b. The loan will be due on the earlier of (1) 12 months from the date it is issued or (2) the closing of the authority's first mortgage loan for the project under the program. The authority may extend the loan term as it deems necessary.
- c. Principal and interest payments will be due at loan maturity and may be paid from the proceeds of a loan under the program.
- d. Interest rates will be set by the authority, in its sole discretion, based on a spread to a widely used market index, such as but not limited to one-year rates for advances from the Federal Home Loan Bank of Des Moines. The authority will publicize the index and spread on its Web site at [www.ifahome.com](http://www.ifahome.com).
- e. Recipients must execute such documents and instruments, and must provide such information, certificates and other items, as determined necessary by the authority, in its sole discretion, in connection with any assistance.

**265—3.25(16) Authority analysis of applications.** Authority staff will analyze each potential loan and will make recommendations for funding assistance to the board of directors of the authority. Authority staff will use such procedures and processes in its underwriting and analysis as it deems necessary and appropriate in connection with furthering the purposes of this fund.

**265—3.26(16) Discretion of authority board.** The authority's board of directors has the sole and final discretion to award or not award assistance and to approve final loan terms.

**265—3.27(16) Closing/advance of funds.** If all requirements of the authority are not met in accordance with any time frames set by the authority and to the complete satisfaction of the authority, all in the sole discretion of the authority, the authority may determine to cease work on an approved project and to, accordingly, not advance any funds for such project.

**265—3.28 to 3.30** Reserved.

These rules are intended to implement Iowa Code sections 16.5(17), 16.18(1) and 16.18(2).

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